

Message Text

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ACTION AF-18

INFO OCT-01 ISO-00 FEA-02 INT-08 SCI-06 AID-20 CIAE-00

COME-00 EB-11 FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00

XMB-07 OPIC-12 SPC-03 CIEP-02 LAB-06 SIL-01 OMB-01

NSC-07 SS-20 STR-08 CEA-02 DODE-00 PM-07 H-03 L-03

PA-04 PRS-01 USIA-15 DRC-01 PC-04 IO-14 /200 W

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R 251038Z MAR 74

FM AMEMBASSY ADDIS ABABA

TO SECSTATE WASHDC 8158

UNCLAS ADDIS ABABA 3273

1. PRESIDING FOR FIRST TIME OVER NEW COUNCIL OF MINISTERS ON MARCH 22, HIM APPROVED AUSTERITY BUDGET PREPARED BY SPECIAL TASK FORCE OF COUNCIL OF MINISTERS. IN PRESENTING REVISE BUDGET, PM SAID ECONOMIC DIFFICULTIES WERE CAUSED BY RISING WORLD PRICES AND SALARY INCREMENTS GRANTED MILITARY AND OTHERS TO MEET RISING COST OF LIVING. TASK FORCE REPORT ALSO INCLUDED LOSS OF ETH \$30 MILLION IN REVENUE FROM REFINERY OPERATIONS AS AMONG IMMEDIATE FINANCIAL PROBLEMS FACING IEG. IN PM VIEW, RESULTING UNFORESEEN EXPENDITURES REQUIRED ADOPTION AUSTERITY BUDGET.

2. MAIN PROVISIONS OF AUSTERITY PROGRAM REPORTEDLY INCLUDE:

A. 30 PERCENT REDUCTION IN OPERATING EXPENDITURES OF ALL IEG MINISTRIES AND AGENCIES EXCEPT ARMED AND POLICE FORCES ALTHOUGH LATTER INSTRUCTED REDUCE EXPENDITURES AS MUCH AS POSSIBLE. INSTRUCTIONS HAVE BEEN ISSUED AS TO TYPE OF EXPENDITURES TO BE CURTAILED BUT AFFECTED AGENCIES DIRECTED USE MAXIMUM DISCRETION IN ESTABLISHING PRIORITIES.

B. NO NEW EMPLOYEES TO BE HIRED DURING REMAINDER OF FISCAL YEAR.

C. ALL GOVERNMENT EMPLOYEES REACHING RETIREMENT AGE TO BE RETIRED.

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D. SUBSIDIZATION OF REFINERY TO BE FUNDED BY TRANSFERRING

LOCAL COSTS OF CAPITAL EXPENDITURES EARMARKED FOR CURRENT FISCAL YEAR AND WHOSE PAYMENT CAN BE DELAYED OR WHOSE IMPLEMENTATION CAN BE POSTPOSED. IEG OPTED FOR SUBSIDIZATION OF REFINERY OPERATIONS RATHER THAN CUTTING FUEL TAXES IN VIEW OF INEVITABLE ADMINISTRATIVE DELAY IN USING LATTER METHOD.

E. PUBLIC CORPORATIONS AND AGENCIES SHOULD SAVE AT LEAST 10 PER CENT OF OPERATING EXPENDITURES AND REFUND SAVINGS TO TREASURY. INDIVIDUAL AGENCIES MAY REQUEST TREASURY REVIEW OF THIS DECISION IF SERIOUS DIFFICULTIES POSED. AGENCIES SHOULD ALSO SUBMIT REPORTS ON UNUSED CAPITAL FUNDS FOR A REVIEW AS TO POSSIBLE SAVINGS.

F. PUBLIC CORPORATIONS SHOULD TRANSFER REVENUES TO TREASURY ON A GROSS RATHER THAN NET BASIS (I.E. NOT DEDUCT EXPENDITURES FROM RECEIPTS PRIOR TO TRANSFER AS PREVIOUSLY).

G. MINISTERIAL RANK PERSONNEL SERVING ON BOARDS OF PUBLIC CORPORATIONS AND AGENCIES SHALL SERVE WITHOUT COMPENSATION AND FUNDS SAVED REMITTED TO TREASURY.

3. ANALYSIS IEG BUDGET MODIFICATIONS FOLLOWS IN SEPAIR. WYMAN

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